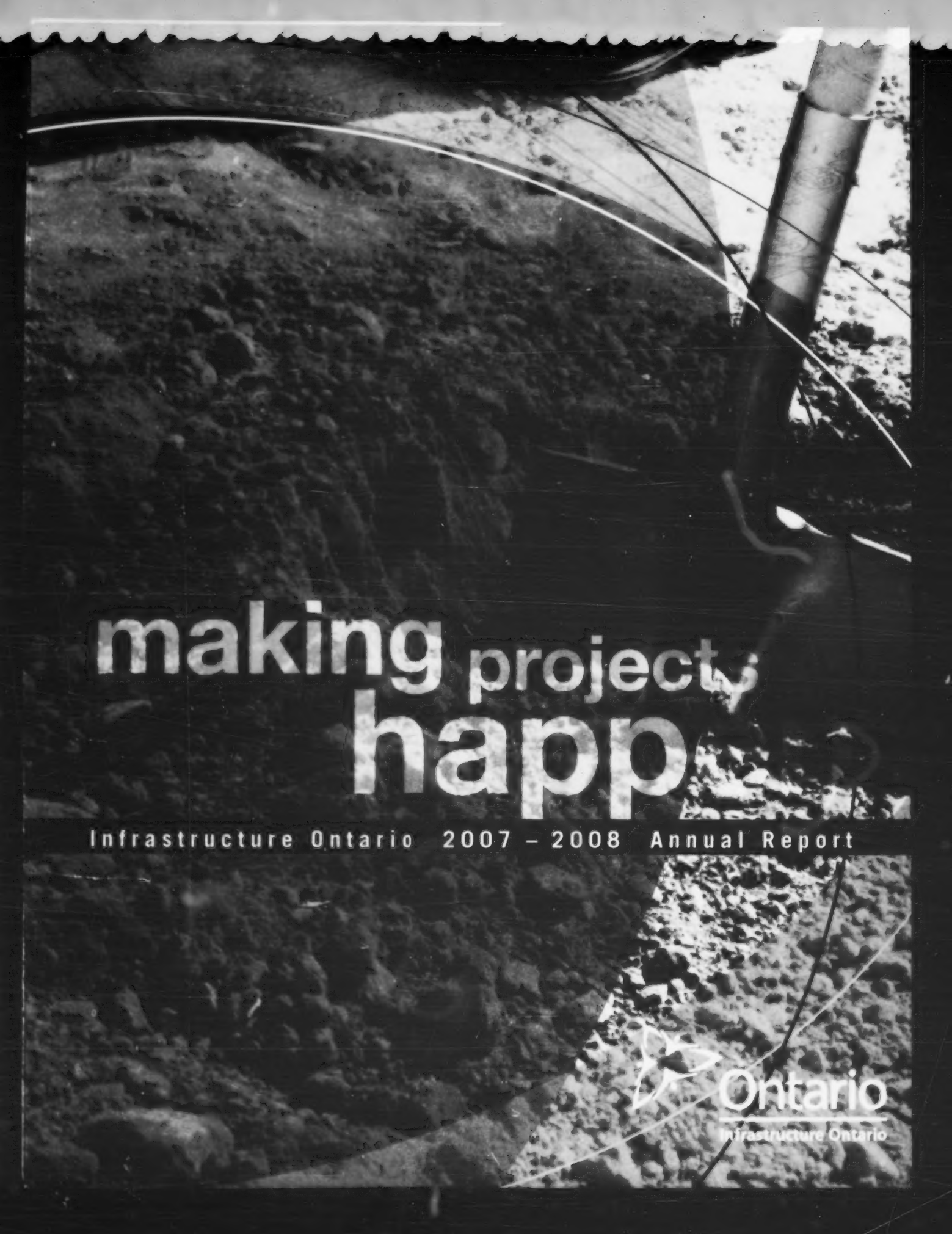

Infrastructure Ontario 2007 – 2008 Annual Report

Ontario
Infrastructure Ontario

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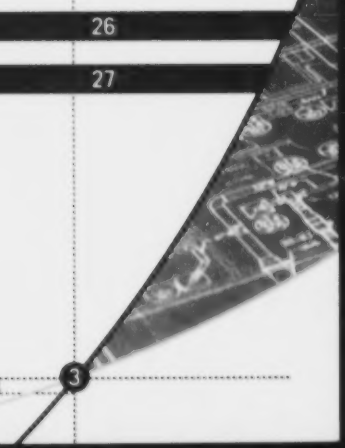


Message from the Chair

As Chair of the Board of Directors, I am pleased to present Infrastructure Ontario's 2007/2008 Annual Report. This report outlines the business performance and operational highlights, and includes audited financial statements for the organization's first full fiscal year, which ended March 31, 2008.

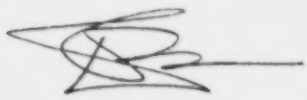
The past year has yielded significant changes in our portfolio of major infrastructure projects. By the end of the fiscal year, Infrastructure Ontario had 16 social infrastructure projects under construction, three projects approaching financial close and 11 projects in the procurement phase. Two of these projects belonged to entirely new sectors: energy and transportation. These new projects, as with all of our major infrastructure projects, will be built using the Alternative Financing and Procurement (AFP) model.

Infrastructure Ontario's OSIFA Loan Program has also experienced some very significant milestones. To date, IO has advanced over $1.5 billion in affordable loans to a variety of public sector partners. These investments have stimulated over 650 infrastructure projects to support priorities such as road and bridge improvements, clean water, sewage, waste management, energy conservation, culture and recreation as well as palliative and seniors care.

Given these major advances, the Board of Directors had another very busy year. We continued to provide strategic direction to IO management and thoroughly examine all proposed projects. On the AFP side, the Board reviews every Request for Proposal (RFP) before it can be released to bidders to ensure that each project has a clear value for money. These steps are integral to make certain that public funds are used effectively.

A key member of Infrastructure Ontario's Board, Harry Swain, chose to retire in February 2008. Harry had dedicated many years to public service, and I would like to thank him for his efforts on Infrastructure Ontario's Board.

Finally, based on the tremendous growth and performance of Infrastructure Ontario, on behalf of the Board, I would like to thank David Livingston and all of Infrastructure Ontario's dedicated staff for their outstanding contributions in the last year.



D. Anthony Ross
Chair

Message from the Chief Executive Officer

I'm very proud of the reputation Infrastructure Ontario has developed over the past two years. As this organization has grown, both in size and scope, we have become a trusted name in delivering infrastructure projects as directed by the Government of Ontario.

A great deal has changed since our last fiscal year. We had 16 projects under construction, were assigned new major infrastructure projects from new sectors, the OSIFA Loan Program has advanced a record amount of affordable loans and grants and we have created and standardized various template documents and bond forms that changed the way that we do business.

Project Delivery

When the fiscal year ended March 31, 2008, over $5 billion in capital projects had been brought to market. This included two new projects from two new sectors: the Ontario Highway Service Centres Project from the transportation sector and the Nuclear Procurement Project from the energy sector.

Advances

When we first set out to develop template documents for our Build Finance (BF) projects almost a year ago, we were told by many of our stakeholders that our projects were "unbankable, unbiddable and unbondable". After months of work, the Surety Association of Canada unanimously approved the use of Infrastructure Ontario's bond forms on our BF projects, allowing for easier procurement of our BF projects.

OSIFA Loan Program

Infrastructure Ontario's OSIFA Loan Program continued to grow. To date, IO has advanced over $1.5 billion in affordable loans to its public sector partners. This has allowed for 650 separate infrastructure projects in communities across Ontario to be built including roads, bridges, public housing, water and wastewater facilities.

IO also administered the Municipal Infrastructure Investment Initiative (MIII), a one-time, $450-million program intended to help municipalities provide safe and reliable local infrastructure. This will result in improved local public facilities and services that make Ontario an even more attractive place in which to live, work, visit and invest.

In the 2008 Ontario Budget, the government announced that the OSIFA loan program will be further broadened to include local services boards, not-for-profit professional arts training institutes and social and affordable housing providers. This expansion will stimulate enhanced infrastructure investment across these new sectors, and allow interest savings to be redirected towards the important business of providing public services.

A Successful Year

In 2007/08, we showed our commitment to making projects happen in Ontario, surpassing our objectives both for project delivery and the OSIFA Loan Program. With all that we achieved in 2007/08 I have no doubt we strengthened this organization for our stakeholders, clients, and the communities of Ontario—both today and for the future.

J. David Livingston
President and Chief Executive Officer

2007/08 Key Events & Achievements

2007/08 Achievement Calendar

March 25, 2008	Ontario Budget announces expansion of OSIFA Loan Program
March 7, 2008	RFP released for Nuclear Procurement Project
February 15, 2008	Construction begins on Queensway Carleton Hospital
February 15, 2008	Construction begins on Henderson General Hospital
January 8, 2008	RFP released for Woodstock General Hospital
December 19, 2007	First loan to a hospice approved
December 19, 2007	First loan to a local hydro utility approved
November 22, 2007	Bidders short-listed for the Ontario Highway Service Centres project
November 9, 2007	Construction begins on Hamilton General Hospital
November 8, 2007	Construction begins on Rouge Valley Health System
November 7, 2007	Construction begins on Runnymede Healthcare Centre
October 22, 2007	RFP released for Toronto Rehabilitation Institute
October 5, 2007	RFP released for Kingston General Hospital
September 4, 2007	RFP released for Niagara Health System
August 31, 2007	RFP released for London Health Sciences Centre and St. Joseph's Health Care, London
August 28, 2007	RFQ issued for Ontario Highway Service Centres
August 24, 2007	RFP released for Women's College Hospital
August 23, 2007	Construction begins on Sault Area Hospital
August 17, 2007	First loan to a Not-For-Profit Long-Term Care Facility approved
July 27, 2007	RFP released for Credit Valley Hospital
July 9, 2007	RFP released for Data Centre project
June 28, 2007	Construction begins on Durham Consolidated Courthouse
June 21, 2007	Construction begins on Trillium Health Centre – West Toronto
May 7, 2007	Construction begins on Sunnybrook Health Sciences Centre
April 3, 2007	RFP released for Runnymede Healthcare Centre

AFP Projects Currently in Progress

Under construction

- Hôpital Montfort (Ottawa)
- Quinte Health Care
- Sunnybrook Health Sciences Centre
- Durham Consolidated Courthouse
- Trillium Health Centre (Toronto & Mississauga)
- Sarnia Bluewater Health
- Runnymede Healthcare Centre (Toronto)
- Hamilton Health Sciences – Henderson
- North Bay Regional Health Centre
- Sudbury Regional Hospital
- Roy McMurtry Youth Centre (Brampton)
- St. Joseph's Health Care – London (Phase 1)
- Sault Area Hospital
- Rouge Valley Health System (Ajax)
- Hamilton Health Sciences – General
- The Ottawa Hospital Regional Cancer Centre

RFP closed

- Credit Valley Hospital (Mississauga)
- New Data Centre (Guelph)
- London Health Sciences Centre/St. Joseph's Health Care – London (Phase 2)

RFP open

- Niagara Health System (St. Catharines)
- Toronto Rehabilitation Institute
- Nuclear Procurement Project
- Kingston General Hospital
- Woodstock General Hospital

Pre-qualified bidders named

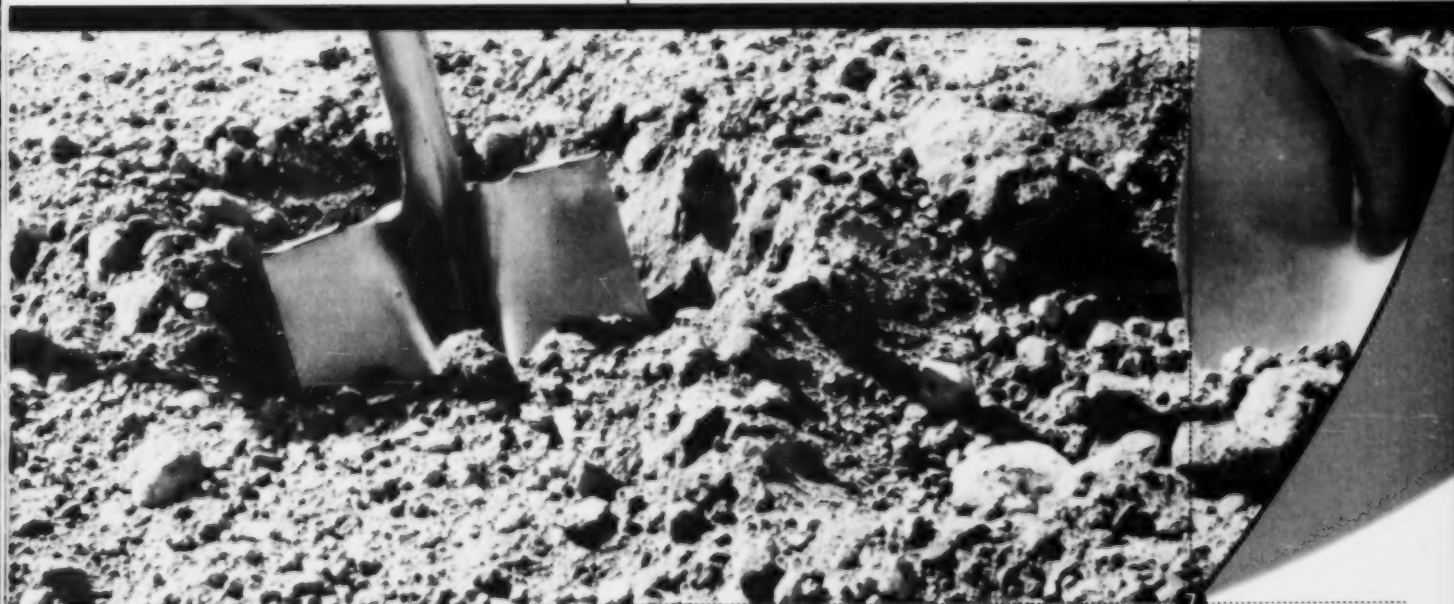
- Ontario Highway Service Centres
- Royal Victoria Hospital
- Lakeridge Health
- Windsor Regional Hospital

RFQ closed

- Hamilton Health Sciences – MUMC

RFQ open

- Bridgepoint Health



Organizational Overview

Organizational Mandate and History

Infrastructure Ontario is a Crown corporation dedicated to managing some of the Province's larger and more complex infrastructure renewal projects, ensuring they are built on time and on budget, and to supporting infrastructure investment across the broader public sector.

In 2005, the Government implemented ReNew Ontario 2005–2010, a $30 billion strategic investment plan to address a significant public infrastructure deficit and prepare for future growth. Infrastructure Ontario is an essential component of the plan.

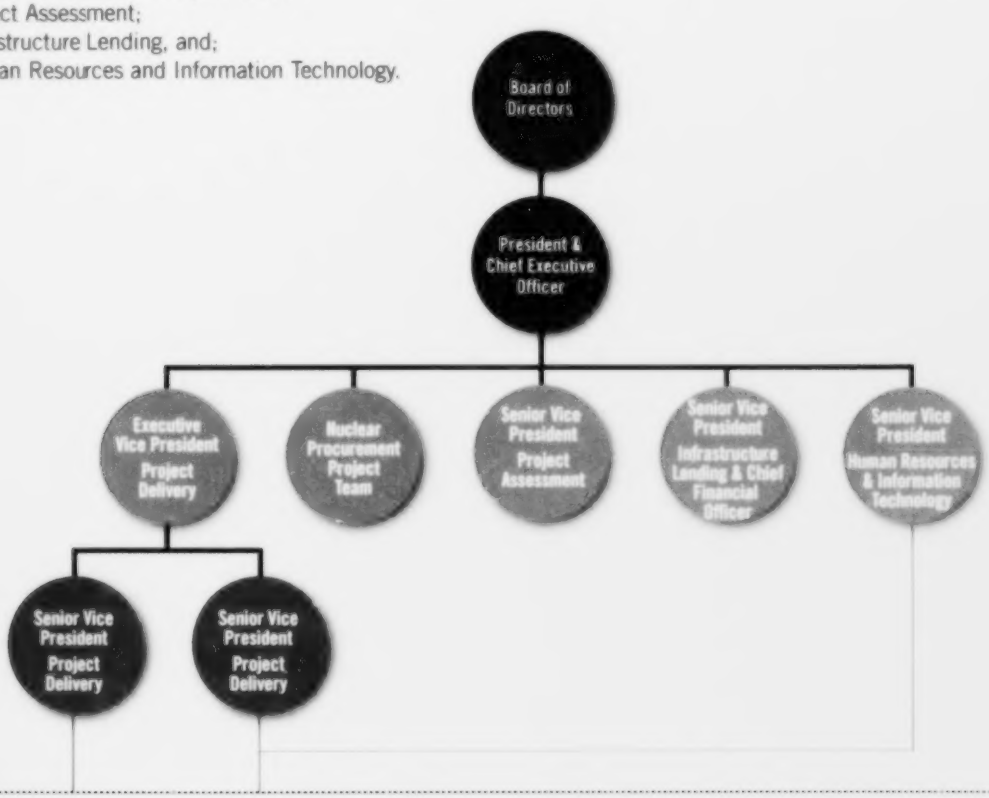
Our work is guided by principles outlined in the Province's Building a Better Tomorrow framework, which ensures public ownership of core assets such as hospitals, schools, and water and wastewater facilities. Using an Alternative Financing and Procurement (AFP) model, Infrastructure Ontario leverages private financing and expertise to strategically rebuild and maintain vital infrastructure, on time and on budget.

Infrastructure Ontario also provides Ontario municipalities, universities and other public sector bodies with access to affordable loans to build and renew local public infrastructure.

Corporate Structure

Infrastructure Ontario is organized in five functional areas, as illustrated in the figure below:

- Project Delivery;
- Nuclear Procurement Project Team;
- Project Assessment;
- Infrastructure Lending, and;
- Human Resources and Information Technology.


Board of Directors
President & Chief Executive Officer
Executive Vice President Project Delivery
Nuclear Procurement Project Team
Senior Vice President Project Assessment
Senior Vice President Infrastructure Lending & Chief Financial Officer
Senior Vice President Human Resources & Information Technology
Senior Vice President Project Delivery
Senior Vice President Project Delivery

Project Delivery is responsible for managing the planning, design and delivery of major public infrastructure projects, supported by project communications, finance, legal, and procurement services. The work ranges from managing procurement and negotiating contracts with private sector consortia, to project management from procurement through to construction completion.

The Nuclear Procurement Project Team is a special purpose team that supports the government's plan to develop new nuclear power generation capacity. The Nuclear Procurement Project Team will manage the procurement process to determine a preferred nuclear reactor vendor.

Project Assessment is responsible for developing and planning potential AFP projects. Some of these projects may be contemplated as traditional projects, and others may be in the early planning stages by broader public sector entities.

Infrastructure Lending is responsible for Infrastructure Ontario's OSIFA Loan Program, which provides Ontario municipalities, universities and other public sector entities with access to low cost loans to build and renew local public infrastructure. It also provides finance, communications and corporate relations support and legal services to the entire organization.

Human Resources and Information Technology is responsible for developing the internal strength to meet Infrastructure Ontario's needs in information technology and personnel, including the development of staff programs. The division facilitates Infrastructure Ontario's ability to recruit and retain the talent needed, and enable productivity through technology.

Business Strategy

Infrastructure Ontario will continue to be a world-class infrastructure development and delivery agency. Several strategies are in place to ensure we build on our early success.

First, we will continue to procure assigned projects on time, on budget and on scope. Infrastructure Ontario is overseeing the development of more than 50 projects and, through a focused and committed effort, we will ensure these projects are successfully tendered.

Second, as projects begin construction, we will ensure they are built on time, on budget and on scope. Only when projects are completed will our work be done.

Third, we will support infrastructure investment across the public sector. Infrastructure Ontario carries out two key activities that assist the broader public sector in making projects happen: the provision of OSIFA loans and project assessment.

Fourth, we will pay keen attention to meeting our client satisfaction indices. Each year, our clients and stakeholders score our performance on meeting their needs through the client satisfaction survey. We will continue to strive to improve on the survey results.

And finally, we will achieve the financial and business targets for the organization. Our success on the ground must be matched by the strength of our finances.

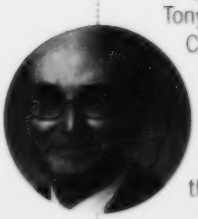
Corporate Governance

OIPC's (Infrastructure Ontario) corporate governance structure is set out in the Ontario Infrastructure Projects Corporation Act, 2006. Infrastructure Ontario is a corporation without share capital, composed of the members of its board of directors. The members are appointed by the Lieutenant Governor in Council. The Chair and Chief Executive Officer are designated and appointed by the Lieutenant Governor in Council. This governance structure ensures that Infrastructure Ontario's activities are conducted in accordance with relevant statutes, as well as government policies and directives.

As part of Infrastructure Ontario's commitment to good governance, the Corporation prepares an annual report in accordance with Management Board of Cabinet directives that is approved by the Board and submitted to the Minister of Public Infrastructure Renewal for tabling in the Ontario Legislature.

The Board of Directors provides strategic oversight within the objects of the corporation. The board is also responsible for approving policies relating to risk assessment/management; and approving performance awards. It approves projects that are within scope and expenditure limits. It provides oversight of senior management, monitoring for legal compliance, internal control, effective audit procedure, and reporting requirements. Finally, it provides advice and counsel to the Minister of Public Infrastructure Renewal and to senior management.

OIPC Board of Directors



Tony Ross, Chair

Tony Ross serves as the Chair of Infrastructure Ontario. Prior to this, Mr. Ross worked as a Business Consultant for RG Group where he advised, among others, Manulife Financial, the Government of Newfoundland, the University of Toronto, York University, Ottawa Congress Centre, Hydro One, TD Securities, Merrill Lynch Canada, Scarborough Hospital and Telus.

Before RG Group, Mr. Ross was Vice-Chairman of Merrill Lynch, where he directed the activities of the Capital Markets group.

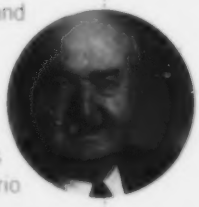
Director and Chair since: November 2, 2005
Current term expires: March 31, 2009
Member of: Governance and Compensation Committee
Non-Independent (Full-time Chairman of the Corporation)

Felix Chee

Felix P. Chee has wide-ranging experience in both the public and private sectors. He was President and CEO of University of Toronto Asset Management Corporation (UTAM) from April 2003 to February 2008 and prior to that was Vice President of Business Affairs at the University of Toronto.

He has also held the positions of Executive Vice President and Chief Investment Officer at Manulife Financial; Senior Vice-President of Corporate Finance at Ontario Hydro Corporation; and Senior Investment Officer of the International Finance Corporation at the World Bank Group.

Director since: November 2, 2005
Current term expires: November 1, 2008
Member of: Credit and Risk Management Committee (Chair)
Independent



Patrick J. Dillon

Patrick J. Dillon is the Business Manager and Secretary Treasurer of the Provincial Building and Construction Trades Council of Ontario. He has held this position since 1997.

He began his career in the construction industry as an apprentice electrician in 1961 and became a journeyman in 1966. Following 18 years of experience in the construction industry, he was elected Business Manager of Local 105 of the International Brotherhood of Electrical Workers (IBEW). In 1991, he was elected Executive Chairman of the IBEW Construction Council of Ontario where he was responsible for establishing the very successful Provincial Organizing Department.

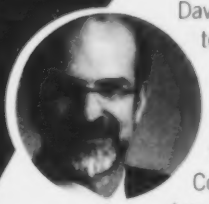
Mr. Dillon was appointed by the Government of Ontario to serve on the Board of Directors of the Workplace Safety and Insurance Board (WSIB). He also serves as a director on the following organizations: Ontario Construction Secretariat (OCS), the Construction Safety Association of Ontario (CSAO), Construction Sector Council of Canada and the De Novo Treatment Centre. Mr. Dillon also served on the Hamilton Harbour Commission.

In addition, Mr. Dillon is active in his hometown of Hamilton where he is an avid curler and golfer.

Mr. Dillon is married and has two children.

Director since: September 6, 2006
Current term expires: September 5, 2009
Member of: Credit and Risk Management Committee
Independent

David Livingston, President and Chief Executive Officer



David Livingston has 30 years of experience in the financial services industry, where he ultimately rose to Executive Vice President, Corporate Development at TD Bank Financial Group.

Mr. Livingston obtained his B.Sc. from the University of Western Ontario in 1973 and his MBA from Queen's University in 1976. He is a director of Ovarian Cancer Canada and the Children's Aid Society of Toronto. He is also a member of the Children's Aid Society of Toronto—Real Estate Committee, and the Children's Aid Foundation—Scholarship Award Committee. He and his wife have two grown children.

Director since: November 21, 2005
Current term expires: November 20, 2008
Non- Independent (President & CEO of the Corporation)

Gadi Mayman

As Chief Executive Officer of the Ontario Financing Authority, Gadi Mayman is responsible for the Province's borrowing and debt management programs, and its banking and capital markets relationships. He is also CEO of the Ontario Electricity Financial Corporation.

Mr. Mayman is Co-Chair of the Joint Nuclear Funds Investment Committee, a joint OFA and Ontario Power Generation Inc. (OPG) Committee, and was formerly on the Board of the Ontario Clean Water Agency, as well as setting up and being the intial Chair of its Audit Committee.

Prior to joining the Ontario Ministry of Finance, Mr. Mayman worked as a treasury officer at the Export Development Corporation in Ottawa and in the International Division of the TD Bank.

Gadi received a B.Sc. in Industrial Engineering from the University of Toronto in 1981, and an M.B.A. from the University of Western Ontario in 1988.

Director since: November 2, 2005
Current term expires: November 2, 2008
Member of: Credit and Risk Management Committee
Non-Independent (CEO of the Ontario Financing Authority)

Isabel Meharry

Isabel Meharry is Vice President, Finance, Secretary Treasurer and Chief Financial Officer for Green Shield Canada which specializes in group and individual health and dental programs and administration.

Ms. Meharry has more than 25 years in senior financial and operating roles. Prior to joining Green Shield Canada, she held the position of President and Chief Executive Officer of Financial Executive International Canada. She has also served as the Executive Consultant to the Chairman and CEO of Sun Life Financial of Canada in Hong Kong, as an Executive Vice President of Aviva Insurance Company, the Chief Financial Officer of the Insurance Corporation of British Columbia and the Chief Auditor at North American Life Insurance Company (now part of Manulife).

Isabel is a member of several boards and was recently elected to the Council of the Institute of Chartered Accountants of Ontario. She holds an MBA from York University, is a Chartered Accountant, a Certified Fraud Examiner, a Certified Public Accountant, and a Chartered Director.

Director since: August 24, 2006
Current term expires: August 23, 2009
Member of: Audit Committee (Chair)
Independent

Linda Robinson

Linda Robinson is a senior partner at Osler, Hoskin & Harcourt LLP, a leading Canadian law firm, and Chair of Osler's national business law department. Linda has a corporate law practice with a particular emphasis on mergers and acquisitions, business and financial restructuring and shareholder matters. Ms. Robinson has a long standing interest in infrastructure renewal with an MSc in Urban and Regional Planning Studies from the London School of Economics.

Director since: February 21, 2007
Current term expires: February 20, 2010
Member of: Governance and Compensation Committee (Chair)
Independent

Jim Schwindt

Jim Schwindt is a Professional Engineer who started his career at Traugott Construction Limited in 1973 as an estimator and project manager. He was then promoted to General Manager in 1978 and became President and controlling partner in 1982. He retained this position until his retirement at the end of 2005.

Throughout his career, Mr. Schwindt has served as the director and chairman of numerous associations, such as the Council of Ontario Construction Association, the Ontario General Contractors Association and the Grand Valley Construction Association.

Mr. Schwindt graduated from the University of Waterloo in 1973 with a Bachelor of Applied Science in Civil Engineering.

Director since: February 21, 2007
Current term expires: February 20, 2010
Member of: Audit Committee
Independent

Darija Scott

Darija Scott is Managing Principal of SCOTT Associates Architects Inc., which she co-founded in 1987. The Toronto-based firm's current project and consulting work in the international area centres around public/private infrastructure projects. This field has become an area of specialization for Darija. She has worked around the world on several high profile transport privatization projects with a diverse group of clients including operators such as Lockheed and Hughes, contractors Bouygues and Skanska, as well as entities such as British Aerospace and Aeroports de Paris, and various airport authorities.

Her firm SCOTT Associates were the Design Architects for Terminal 3 at Toronto Pearson and have several major assignments at Pearson including the design of the new 13,200-vehicle garage at Toronto's new terminal development as well as the upgrade and expansion of Terminal 3.

Darija runs the firm's Business Development divisions in both Canada and the US.

Director since: August 24, 2006
Current term expires: August 23, 2009
Member of: Governance and Compensation Committee
Independent

OIPC Board Committees

Audit Committee
The Audit Committee is responsible for overseeing Infrastructure Ontario's risk management and financial reporting. It reports to the Board of Directors, assisting it in discharging its oversight responsibilities relating to Infrastructure Ontario's risk exposures arising from its financial activities.

Credit and Risk Management Committee
The purpose of the Credit and Risk Management Committee is to ensure that Infrastructure Ontario adheres to the Credit Risk Policy and the Asset Liability Management Risk Policy approved by the Board of Directors, to recommend policies to the Board of Directors, and to monitor Infrastructure Ontario's risk profile.

Governance and Compensation Committee
The role of the Governance and Compensation Committee is to make recommendations to the Board of Directors with respect to the composition of the Board of Directors and its committees, and to promote a set of corporate governance principles aimed at fostering a healthy governance culture at Infrastructure Ontario. The Committee is also responsible for reviewing and recommending for approval the compensation of the Chief Executive Officer. In addition, they oversee Infrastructure Ontario's employee bonus pool and the overall Human Resources expense.

Director Compensation
Each director who is not an employee of Infrastructure Ontario receives an annual retainer of $5,000. Directors are compensated for each meeting that they attend and receive a fee of $500 per meeting. Directors are also reimbursed for travel and other expenses they incur to attend meetings or to perform other duties in their role as a director.

Public Sector Salary Disclosure
Infrastructure Ontario is subject to the Public Sector Salary Disclosure Act and is obligated to report salaries over $100,000. For purposes of applying the Act, salaries include bonuses and taxable benefits actually received during the year as reported for personal income tax purposes.

OIPC Senior Executive

David Livingston - President and Chief Executive Officer
As President and Chief Executive Officer of Infrastructure Ontario, David Livingston oversees the crown corporation responsible for executing large-scale public infrastructure projects for the Government of Ontario. Under Mr. Livingston's leadership, Infrastructure Ontario is quickly becoming a chief player in one of Canada's most robust infrastructure development programs.

Mr. Livingston is a frequent and sought-after speaker on infrastructure development and alternative financing and procurement. His 30 year financial industry experience, where he ultimately rose to Executive Vice President, Corporate Development at TD Bank Financial Group, has led him to create a team at Infrastructure Ontario of private and public experts that use innovative tools to deliver complex projects on time and on budget.

Mr. Livingston obtained his B.Sc. from the University of Western Ontario in 1973 and his MBA from Queen's University in 1976. He is a director of Ovarian Cancer Canada and the Children's Aid Society of Toronto. He is also a member of the Children's Aid Society of Toronto—Real Estate Committee, and the Children's Aid Foundation—Scholarship Award Committee. He and his wife have two grown children.

Jim Dougan – EVP, Project Delivery
Jim Dougan worked as a consultant with the Ministry of Public Infrastructure Renewal to help put together the Alternative Financing and Procurement (AFP) program and joined Infrastructure Ontario (IO) at its inception. He brings more than 25 years of comprehensive development and construction experience to Infrastructure Ontario as Executive Vice President, Project Delivery. Jim provides project oversight and strategic direction leading IO's team of experts in all areas of project development including legal, finance, communications and project management.

Jim's prior experience includes significant leadership positions with two key Ontario industry players. As the President and Chief Operating Officer of Falls Management Company Jim successfully managed the development of the $1.0 billion, 2.5 million square foot Fallsview Casino Resort in Niagara Falls, Ontario.

Jim spent over 22 years with Canada's largest publicly-traded construction and infrastructure development company, BFC Construction Group (now Aecon Group Inc.) and resided in Toronto, Vancouver and Seattle. He was BFC's Chief Operating Officer and the President and Chief Executive Officer of the Company's Building Division. Through this tenure Jim also served as a managing member of Group West Associates, LLC, an architectural, interior design and development services company.

Tony Day – SVP, Human Resources and Information Technology

Tony has over 30 years of diverse senior experience in Human Resources and Information Technology working for both the private and public sector across three provinces. His early career focused on business process reengineering and the development of credit card, financial and cost accounting systems in the private sector (Consolidated Bathurst and a major bank), and later the development and implementation of several information systems, primarily human resources, at Siemens and the ministries of Transportation, Education and Cabinet Office.

Tony's human resources experience in the last ten years has focused on guiding organizations in defining their business plans and leading large scale restructuring and transformation. Most recently, he helped the Ministry of Labour meet some difficult challenges and reshaped how HR services were delivered.

The challenge of building an organization from a concept, and a desire to realize the results of what we do attracted Tony to Infrastructure Ontario. He would like to be known for having designed and staffed an organization that is built to last, and employees are proud to be a part of.

Vas Georgiou – SVP, Project Delivery

Vas has nearly 20 years of healthcare experience in both the public and private sectors. He has held numerous Senior Management positions in development and operations in the Healthcare and Hospitality industries, including the Metro Toronto Convention Centre, Toronto East General Hospital and St. Joseph's Healthcare Centre Toronto. He was also a Project Director for the major developments at Markham Stouffville Hospital, Hospital for Sick Kids, and Guelph General Hospital.

Prior to joining Infrastructure Ontario, Vas was the Executive Vice President Operations, Clinical and Support Services at the St. Joseph's Health Centre in Toronto, where he also served as the Interim President and CEO for an extended period.

In his current role at Infrastructure Ontario, Vas is responsible for the strategic planning, development, financing and procurement of major public infrastructure projects.

John McKendrick – SVP, Project Delivery

As the Senior Vice President, Project Delivery, John McKendrick is responsible for the strategic planning, development, financing and procurement of major public infrastructure projects. Since fall 2005, John and his staff have been responsible for bringing some two dozen projects worth more than $5 billion to market, and achieving financial close and construction start on 16 projects.

John came to Infrastructure Ontario with over 17 years of experience in the Provincial government. During that time, he gained expertise in finance, and infrastructure project development and delivery. Most recently he was an Assistant Deputy Minister in the Ministry of Public Infrastructure Renewal. He has also served as the Director of the Corporate Finance Branch at the Ontario Financing Authority. John has been involved in the financing of a number of infrastructure projects across various sectors, including hospitals, school boards, universities and crown agencies, as well as asset-based and other structured financings.

Bill Ralph – SVP, Infrastructure Lending and Chief Financial Officer

With over 25 years of financial and managerial experience with the Government of Ontario, Bill is a proven leader in shaping the way that infrastructure projects are financed and delivered in Ontario. He established the Ontario Strategic Infrastructure Financing Authority (OSIFA)—an innovative, affordable and efficient public infrastructure loan program and the first of its kind in Canada. Prior to OSIFA, Bill led the development of Ontario's Infrastructure Planning, Finance and Procurement Framework as well as a number of high-profile projects for the Ministry of Finance.

In his current position at Infrastructure Ontario, Bill continues to play a pivotal role in developing the future of infrastructure investments in Ontario, including contributing to the adoption of the Building a Better Tomorrow framework across the broader public sector and raising the level of effective delivery of infrastructure investments.

Bill has an Honours Bachelor of Arts in Economics from Queen's University and a Masters in Business Administration from York University. He and his wife, Lezlie, have three children—two boys and a girl.

George Stewart – SVP, Project Assessment

George has over 25 years of diverse experience developing commercial real estate across Canada and has worked with some of Canada's largest developers. He has held senior development roles with Oxford Properties Group, Borealis Real Estate, Morguard Investments and Cambridge Shopping Centres.

George was attracted to Infrastructure Ontario by the opportunity to build legacy projects and utilize his extensive experience and skill set to create a bridge of understanding and sense of "do-ability" between the private and public sectors to successfully deliver Infrastructure Ontario's rigorous agenda.

In addition to his role at Infrastructure Ontario, George also conducts pro bono communication skills seminars for University student groups based on his corporate workshop, "The Essence of Communication is Connection." The purpose of this work is to provide students with the skills necessary to gain entry to and excel in the corporate environment.

IO's Accountability Framework

Our Vision

The "go-to" group for making Ontario public infrastructure projects happen.

Our Mission

We use the best of public and private-sector expertise to expand and renew public assets. We deliver public infrastructure projects on time and on budget using best practices recognized worldwide. We provide affordable rates of financing and project management expertise to a diverse public sector customer base. In short, Infrastructure Ontario makes public infrastructure projects happen.

Success Factors

This is how each of our Success Factors is defined at Infrastructure Ontario:

Public/Customer Focus

- Make customers aware that their needs are our priority
- Understand the customer's objectives and earn their respect
- Demonstrate to our customers that their success is our success

Collaborative Effort

- Facilitate a partnering approach by establishing common goals and objectives
- Develop flexible work plans that address customer needs
- Develop an integrated organization that excels in sharing knowledge and resolving problems

Expert Team

- Our team has extensive skills and industry-proven experience
- Our team works effectively with all stakeholders
- Our team is motivated and passionate about what we do

Excellent Results

- Define success, deliver value
- Deliver what we committed on time, on budget, on scope
- Manage and mitigate project risk

Continuous Improvement

- Source and apply best practices, creating centres of expertise
- Continuously identify lessons learned and preferred solutions
- Invest in staff training, systems and technology to foster organizational development

Our Culture

In general terms of behaviour, this is how each of the values that comprise our culture is defined at Infrastructure Ontario:

Respectful

- We treat each other, our partners and customers with dignity and openness
- We recognize different skills and the expertise of each team member and learn from each other
- We share the fundamental belief that there is a reason to respect everyone and their views

Resourceful

- We share information, communicate status and results, and transfer knowledge
- We go the extra mile to get the job done
- We use the best tools available and draw on the expertise, creativity and knowledge of the team

Results-Focused

- We are accountable—no excuses
- We develop effective solutions—we get it done
- We use 'and' thinking—we turn obstacles into opportunities

Management's Discussion & Analysis

Summary of Financial Results

Fiscal Year 2007/08 was a successful year for Infrastructure Ontario in that the organization achieved all financial objectives.

Infrastructure Ontario's net loss from operations was $20.6 million for fiscal year 2007/08. Excluding the concession cost expense of $8.7 million, the net loss is reduced to $11.9 million. The loss is attributable to two main factors: a net interest loss of $7.2 million related to the 2003/04 concessionary loan program and loan operation expenses of $4.7 million.

Project spending for fiscal year 2007/08 was $45.8 million, which includes project transaction costs, ancillary costs, and Infrastructure Ontario's project operating costs. This will be entirely recoverable from Ontario ministries.

Corporate expenses amounted to $5.7 million for 2007/08. This includes costs related to overall governance expenditures and corporate services such as Legal, Finance, Communication, HR and IT. These expenses were entirely recoverable through a grant from the Ministry of Public Infrastructure Renewal.

Risk Assessment & Management

AFP Projects Risk

Market Capacity Risk

Infrastructure Ontario has sixteen projects already in construction and an on-going and intensive pipeline of projects. To date, Infrastructure Ontario has tightly managed the flow into the market of its assigned projects. However, there are many other projects entering the market, from other public sector sources, including projects funded by the Province, and from private sector sources. The more intensive and complex effort required from project teams to pursue Infrastructure Ontario types of projects means that the number they can bid on at any given time will be limited.

To manage these risks, Infrastructure Ontario has undertaken a number of initiatives, including:

- regular consultation with industry sources to identify other projects entering the market to ensure they do not conflict with the procurement of Infrastructure Ontario projects;
- proposing to adjust the staging of projects so there is more of a gap and less overlap between them;
- proposing to shorten the period between Request for Proposal (RFP) issue and Financial Close to free up bid teams to work on successive projects;
- further standardizing RFP documents and continuing efforts to make the RFP process more consistent and stable; and,
- attracting more foreign players into the Ontario market, particularly firms that are active in similar work elsewhere and that have general contractor capacity.

Construction Risk

Construction projects are exposed to a wide variety of risks. However, under Infrastructure Ontario's AFP model, many of these risks are mitigated or transferred to the private sector consortium building the infrastructure. Under a typical Design-Build-Finance-Maintain project, these key risks are transferred or mitigated:

Risk Category	Project Sponsor	Contractor/Project Company
Design	Functional program	Complete design
Site Condition	Unknown geotechnical, environmental or archaeological risks	Known geotechnical or environmental conditions
Construction	Owner delays, unknown conditions and resulting impact on schedule and costs	All other construction risks including: damages, defects, deficiencies, scheduling errors, safety
Resource Availability	Few risks	Labour supply, materials and equipment shortages risks
Equipment	Selection and procurement risks	Installation and coordination risks
Permits and Approvals	Municipal and Provincial permits and approvals	Building Permit, Building Code requirements and occupancy
Financial	Cost of any scope change	Cost of financing, interest rate risk, all other financial risks
Labour	General strikes	Trade strike or isolated labour disruption
Policy or Legislation Change	Most risks	Few risks
Force Majeure	Shared	Shared
Operations Risk	Government-initiated events, demand risk, change in service requirements	Availability of facility and performance

Under the Build-Finance model, these are the key risks transferred or mitigated:

Risk Category	Project Sponsor	Contractor/Project Company
Design	Clinical functionality and scope change risks	Completeness, conflicts, interferences and coordination risks
Site Condition	Unknown geotechnical, environmental or archaeological risks	Known geotechnical or environmental conditions
Construction	Owner delays, unknown conditions and resulting impact on schedule and costs	All other construction risks including: damages, defects, deficiencies, scheduling errors, safety
Resource Availability	Few risks	Labour supply, materials and equipment shortages risks
Equipment	Selection and procurement risks	Installation and coordination risks
Permits and Approvals	Municipal and Provincial permits and approvals	Building Code and occupancy
Financial	Cost of any scope change	Cost of financing, interest rate risk, all other financial risks
Labour	General strikes	Trade strike or isolated labour disruption
Policy or Legislation Change	Most risks	Few risks
Force Majeure	Shared	Shared

Appropriation Funding Risk

Infrastructure Ontario's appropriation risk is low and stems from its reliance on the Province of Ontario for funding.

Infrastructure Ontario incurs costs that relate to staff and consulting resources focused on managing the AFP portfolios. AFP project delivery costs are recovered directly from projects upon completion which, in turn, are funded by the sponsoring ministry and local interests.

OSIFA Loan Program Risk

Interest Rate Risk

Interest rate risk arises when the re-pricing of assets is not aligned with the re-pricing of liabilities. For example, in its lending portfolio, if Infrastructure Ontario lends for a 20-year term (assets) and the debt that Infrastructure Ontario issues to obtain the funds (liabilities) has a shorter term, it may have to issue the debt several times over the life of the asset. Each time the debt is rolled over or re-financed, there is a risk that interest rates will have risen, resulting in either lower net interest income or, if Infrastructure Ontario is lending at a rate below its borrowing cost, a greater net loss.

Management has virtually eliminated interest rate risk in its reserve fund by investing in short-term investments with terms that match the loans from the Province and the Ontario Clean Water Agency (OCWA). For the municipal loan portfolio, interest rate risk has been kept low "naturally," that is, without the use of instruments such as interest rate swaps. Infrastructure Ontario has developed a commercial paper program through which it funds construction loans, which closely align with the interest rate maturity of its construction loan portfolio. Long-term fixed rate debenture loans are funded through the similarly long term fixed rate Infrastructure Renewal Bonds (IRB) program. In order to maintain its commitment to low interest rate risk as the portfolio grows, Infrastructure Ontario will enter into derivatives transactions through the Ontario Financing Authority (OFA) to reduce or eliminate that portion of interest rate risk that cannot be addressed effectively through debt funding alternatives.

Interest Rate Swap derivatives were employed in April 2008, specifically to convert the fixed rate interest earned on loans to a floating rate of interest and also to convert the fixed rate interest paid on capital markets debt issues to a floating rate of interest. With both interest payment flows on a floating rate basis, Infrastructure Ontario removes the impact of broader changes in interest rates due to changes in the Government of Canada yield curve and can therefore protect its net interest margins that are required to cover its program delivery costs.

Infrastructure Ontario's Asset-Liability Management Policy requires continuous monitoring and reporting of the interest rate risk position to Management and the Credit and Risk Management Committee of the Board of Directors. The Asset-Liability Management Policy provides Management with the tools to manage interest rate risk and the authority to instruct the OFA Capital Markets' staff to execute financial transactions to manage interest rate risk, including the use of derivatives. Infrastructure Ontario manages to a strict interest rate risk limit which specifies the maximum expected loss under a presumed 100 basis point shift in interest rates and further limits the potential for loss exposure by minimizing exposures to any particular key rate point on the yield curve.

Liquidity Risk

Infrastructure Ontario's liquidity risk is extremely low. Infrastructure Ontario's lenders are protected by a substantial Reserve Fund, initially funded by long-term subordinated loans provided by the Province. The Reserve's funds are largely invested in short-term, liquid instruments that can be converted to cash in the event of any foreseeable liquidity crisis (for example, failure of an Infrastructure Ontario debt issue to close when expected, disruption to the short term commercial paper debt issuance program, or large unanticipated client cash requirements).

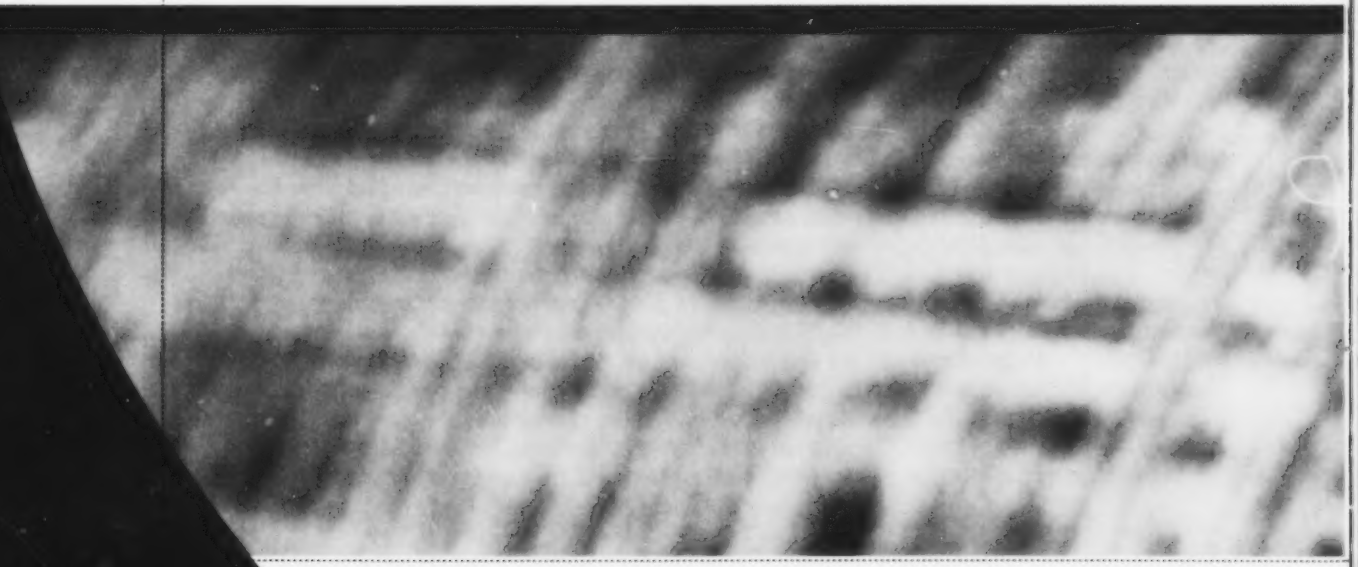
The primary objectives for the investment strategy are to maintain safety of the principal and provide flexibility and liquidity with respect to the reserve. The Asset Liability Management Policy establishes limits on the type and tenor as a percentage of total holdings of all investments and complies with the Financial Administration Act of the Province of Ontario.

Infrastructure Ontario's borrowing plan is approved by the Board of Directors. All borrowing is made with prudent consideration of interest rate risks and liquidity risks and complies with the Asset Liability Management Policy. The Ontario Financing Authority coordinates and executes all borrowing activities. Infrastructure Ontario expects to continue to issue short term Commercial Paper under its $500 million program limit and to issue long term fixed rate debt in the form of Infrastructure Renewal Bonds largely to institutional investors through a banking syndicate as required by the growth of the loan program or to refinance maturing debt. A borrowing by-law is approved by the Minister of Finance every 18 months.

Credit Risk

The public sector nature of infrastructure Ontario's borrowers generates a low level of credit risk due to the unique ability of the borrowers to generate or receive revenue for essential public services or from low risk business models that serve the public sector interest. Credit risk is the primary concern of Infrastructure Ontario's Credit and Risk Management Committee of the Board of Directors.

The Credit Risk Policy ensures that the loan amounts are commensurate with both the borrower's ability to service debt, and Infrastructure Ontario's own risk tolerance. The Board approved Credit Risk Policy establishes principles for evaluating credit risk for each sector of borrowers and establishes maximum loan threshold limits for the risk and subsequent debt service capacity of the borrower. For instance, due diligence is conducted and a final scoring and maximum loan amount for each applicant is presented to Management for approval, and Board approval if necessary.



In December 2006, Infrastructure Ontario's OSIFA Loan Program was expanded to include new types of borrowers, such as local hydro utilities, transit corporations, universities' federated and affiliated colleges, and not-for-profit long-term care service providers. As part of the 2008 Ontario Budget, the government announced its intention to once again expand the loan program to include public not-for-profit and co-operative social and affordable housing providers, local services boards, and not-for profit professional arts training institutions.

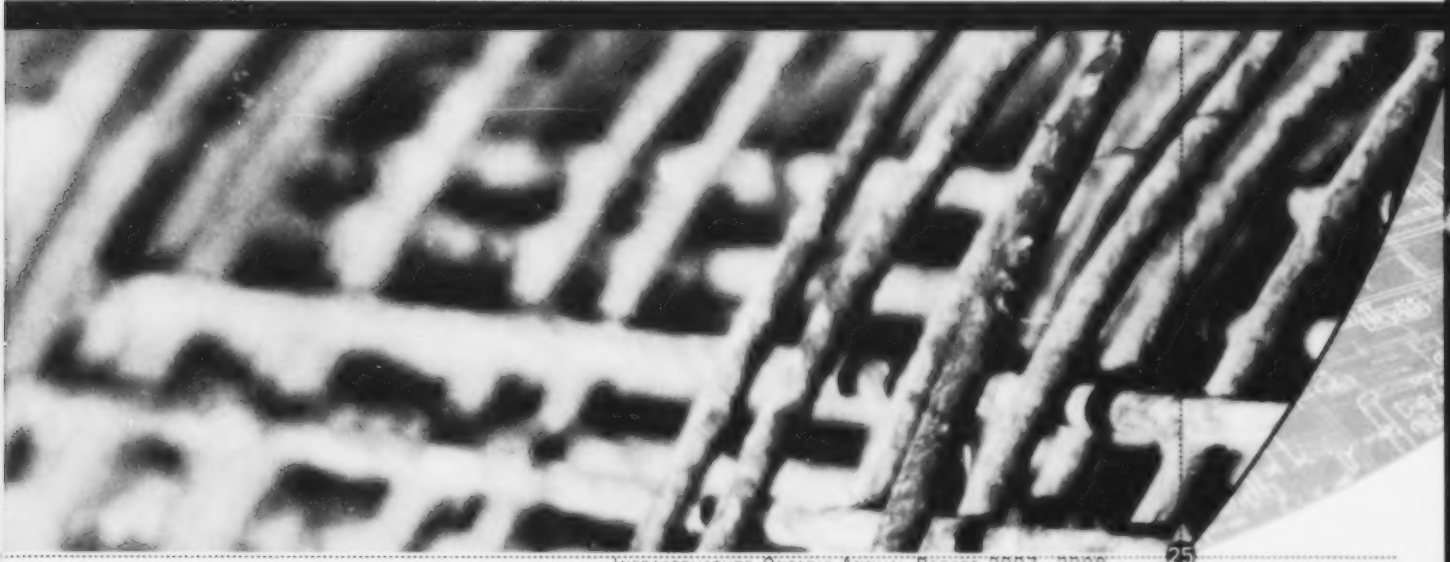
Some of the sectors that have become eligible for Infrastructure Ontario loans have different credit characteristics than Infrastructure Ontario's traditional municipal borrowers. Lending policies for each new sector of borrowers are approved before any loans are extended to new sectors in compliance with the standards set forth under the Credit Risk Policy.

Operational Risk

Infrastructure Ontario's operational risks (i.e., computer systems failure, errors in process, legal liability, and vulnerability to employee fraud) are low. Infrastructure Ontario has developed a comprehensive business continuity plan to deal with crises such as systems failures, loss of physical office space or extended power outages. Infrastructure Ontario's operating procedures have been structured to minimize other operating risks, within the bounds of practicality. Insurance policies have also been put in place for errors and omissions and commercial general liabilities arising from day to day operations.

In 2007/08, Deloitte management consultants completed an Enterprise Risk Assessment for Infrastructure Ontario. The results of this assessment are being utilized to develop an enterprise risk management framework and a risk based internal audit function and plan.

Also in 2007/08, Infrastructure Ontario retained the government's internal audit division to review the AFP process to assess whether sufficient processes and controls were in place to have a reasonable expectation that value-for-money could be achieved on AFP projects. Based on their review, they found that Infrastructure Ontario has or is in the process of developing effective processes that will likely lead to better value-for-money to the Province. Infrastructure Ontario has reviewed the recommendations for improvement and is in the process of implementing most of them. The results of this review have been presented to Infrastructure Ontario's Board of Directors and will be shared with the Auditor General.



Responsibility for Financial Reporting

Infrastructure Ontario

777 Bay Street, 9th Floor
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Tel.: 416 212-7289
Fax: 416 325-4646

Infrastructure Ontario

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Toronto, Ontario M5G 2C8
Tél. : 416 212-7289
Téléc. : 416 325-4646

Ontario
Infrastructure Ontario

The accompanying consolidated financial statements of Infrastructure Ontario have been prepared in accordance with accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the recommendations of the Accounting Standards Board (AcSB) of the CICA and are the responsibility of management.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

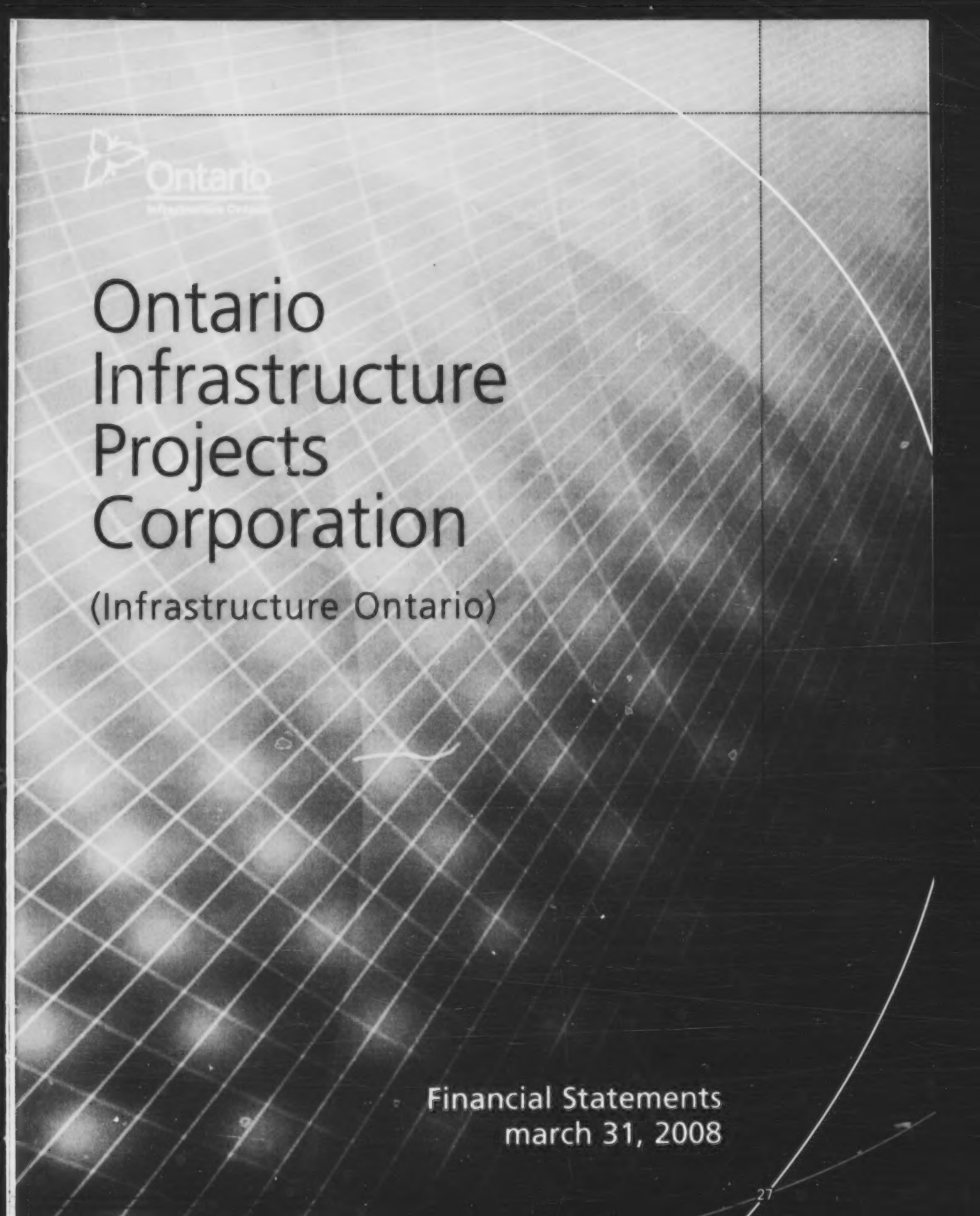
The Board of Directors oversees management's responsibilities for financial reporting through the audit committee. The Audit Committee reviews the financial statements and recommends them to the Board for approval.

The financial statements have been audited by Hilborn Ellis Grant LLP. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's report outlines the scope of the Auditor's examination and opinion.

On behalf of management,

J. David Livingston
President and Chief Executive Officer

Bill Ralph
Senior Vice President, Infrastructure Lending and Chief Financial Officer



Ontario Infrastructure Projects Corporation

(Infrastructure Ontario)

Financial Statements
march 31, 2008

Hilborn Ellis Grant LLP
Chartered Accountants

Auditors' Report

To the Directors of
Ontario Infrastructure Projects Corporation/
Société Ontarienne de Travaux d'Infrastructure ("Infrastructure Ontario")
and to the Minister of Finance

We have audited the balance sheet of **Ontario Infrastructure Projects Corporation/Société Ontarienne de Travaux d'Infrastructure ("Infrastructure Ontario")** as at March 31, 2008 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Hilborn Ellis Grant LLP

Toronto, Ontario
May 30, 2008

Chartered Accountants
Licensed Public Accountants

401 Bay Street, Suite 3100, P.O. Box 49, Toronto, Ontario, Canada M5H 2Y4 Phone: 416-364-1359 Fax: 416-364-9503 hilbornellisgrant.com

Balance Sheet

As at March 31, 2008
(in thousands of dollars)

Assets	2008	2007
Current assets		
Cash	**$ 3,997**	$ 5,692
Accounts receivable (Note 2)	**28,965**	20,571
Current portion of debentures (Note 3)	**64,431**	51,855
Short-term investments	**1,015,899**	1,094,575
	1,113,292	1,172,693
Long-term assets		
Loans receivable (Note 3)		
– construction advances	**401,724**	277,670
– debentures	**990,319**	814,990
– deferred cost on concessionary loans	**(117,867)**	(115,313)
Project receivables (Note 4)	**55,305**	21,327
Long-term investments (Note 5)	**207,501**	98,427
Debt issue costs (Note 6)	**5,410**	5,116
Deferred losses (gains) on hedging (Note 7)	**808**	(4,665)
Capital assets (Note 8)	**3,745**	3,989
	1,546,945	1,101,541
Total Assets	**$ 2,660,237**	$ 2,274,234

Liabilities

Current liabilities		
Accounts payable and accrued liabilities (Note 9)	**$ 12,302**	$ 11,297
Interest payable (Note 10)	**22,532**	26,374
Deferred Grant Revenue (Note 11)	**76**	148
Commercial Paper (Note 12)	**358,63**	288,857
Ontario Opportunity Bonds (Note 13)	**323,032**	—
	716,577	326,676
Long-term debt (Note 13)		
Province of Ontario Loan	**1,000,000**	1,000,000
Infrastructure Renewal Bonds	**950,000**	650,000
Ontario Opportunity Bonds	**—**	323,284
Ontario Clean Water Agency Loan	**120,000**	120,000
OFA Revolving Credit Facility	**60,000**	20,000
	2,130,000	2,113,284
Total Liabilities	**2,846,577**	2,439,960
Deficit	**(186,340)**	(165,726)
Total liabilities and deficit	**$ 2,660,237**	$ 2,274,234

Approved on behalf of the Board:

Director

Director

Statement of Operations

As at March 31, 2008
(in thousands of dollars)

	2008	2007 (Note 20)
Loan Program Revenue		
Investment interest	$ 60,955	$ 57,931
Loan interest	44,405	33,250
Amortization deferred concession costs	6,103	5,154
Other revenue	65	378
	111,528	96,713
Loan Program Expense		
Province of Ontario loan interest	41,984	41,380
Infrastructure Renewal Bond interest	43,288	30,019
Ontario Opportunity Bond interest	14,072	14,080
Commercial Paper Interest	13,989	12,240
Ontario Clean Water Agency loan interest	5,378	5,110
Concession costs	8,657	18,916
Salaries, wages and benefits	1,927	2,147
Administration and general	2,847	2,636
	132,142	126,528
Loan Program Net Income (Loss)	(20,614)	(29,815)
Project Delivery Revenue	$ 45,792	$ 28,197
Project Delivery Expense		
OFA Revolving Credit Facility interest	1,862	263
Project advisory costs	27,947	18,890
Salaries, wages and benefits	9,849	7,257
Administration and general	6,134	1,787
	45,792	28,197
Project Delivery Net Income (Loss)	$ —	$ —
Corporate Revenue		
Grant from Ministry of Public Infrastructure Renewal	$ 5,600	$ 7,068
Project development recoveries	—	135
Amortization of deferred grant	72	—
	5,672	7,203
Corporate Expense		
Project development costs	—	225
Salaries, wages and benefits	5,646	3,627
Administration and general	26	3,351
	5,672	7,203
Corporate Net Income (Loss)	$ —	$ —
Total Revenue	162,992	132,113
Total Expenses	183,606	161,928
Net Loss from operations	(20,614)	(29,815)
Deficit, beginning of year	(165,726)	(135,911)
Deficit, end of year	$ (186,340)	$ (165,726)

Statement of Cash Flows

For the year ended March 31, 2008
(in thousands of dollars)

	2008	2007
Operating Activities		
Net loss from operations	**$ (20,614)**	$ (29,815)
Items not requiring a current cash outlay:		
Concession costs	**8,657**	18,916
Amortization deferred concession costs	**(6,103)**	(5,154)
Amortization capital assets	**733**	479
Amortization debt issue costs	**957**	919
Amortization deferred hedging gain	**(332)**	(462)
	(16,702)	(15,117)
Changes in non-cash working capital:		
Increase in accounts receivable	**(8,394)**	(7,862)
Net (increase) decrease in short-term investments	**78,676**	(31,316)
Increase in accounts payable and accrued liabilities	**1,005**	2,735
Increase (decrease) in interest payable	**(3,842)**	10,626
Increase (decrease) in deferred grant revenue	**(72)**	148
Increase (decrease) in commercial paper	**69,778**	(59,718)
	120,449	(100,504)
Increase in loans receivable net of repayments	**(311,959)**	(198,795)
Increase in project receivables	**(33,978)**	(21,327)
Cash used in operating activities	**(225,488)**	(340,626)
Financing Activities		
Advances from OFA Revolving Credit Facility	**40,000**	20,000
Redemption of Ontario Opportunity Bonds	**(252)**	(70)
Debt issue costs	**(1,251)**	—
Deferred gain on sale of hedging investments	**(5,141)**	847
Cash from financing activities	**33,356**	20,777
Investing Activities		
Sale (purchase) of long-term investments	**(109,074)**	304,268
Issuance of Infrastructure Renewal Bonds	**300,000**	—
Acquisition of capital assets	**(489)**	(3,392)
Cash from investing activities	**190,437**	300,876
Net increase (decrease) in cash	**(1,695)**	1,027
Cash, beginning of the year	**5,692**	4,665
Cash, end of the year	**$ 3,997**	$ 5,692

Notes to Financial Statements

For the year ended March 31, 2008 (tabular amounts in thousands of dollars)

Background

On November 7, 2005, the government established the Ontario Infrastructure Projects Corporation (Infrastructure Ontario) to implement Ontario's major infrastructure projects using alternative financing and procurement (AFP) methods.

On July 17, 2006 pursuant to the Ontario Infrastructure Projects Corporation Act, 2006 (Ontario) ("OIPC Act") Infrastructure Ontario and the Ontario Strategic Infrastructure Financing Authority (OSIFA) were amalgamated and continued as a corporation without share capital under the name of Ontario Infrastructure Project Corporation.

Infrastructure Ontario is a Crown agency and reports to the Minister of Public Infrastructure Renewal (PIR).

Pursuant to the OIPC Act, the objects of Infrastructure Ontario include the following:

- To provide financing for municipalities, universities and other public bodies in the Province of Ontario as may be specified by regulation.
- To obtain funding to finance its activities.
- To provide on a cost effective and timely manner, project and contract management of large complex infrastructure projects in the province of Ontario assigned to the corporation by the Minister.
- Where requested by the Minister, provide financial and execution advice in respect of assets or interests of the Government and implement or assist in the implementation of transactions in respect of such assets or interests.
- To undertake any additional objects as directed by the Lieutenant Governor in Council.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as recommended in the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (CICA) and, where applicable the recommendations of the Accounting Standards Board (AcSB) of the CICA.

Management estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from these estimates.

Revenue recognition

Infrastructure Ontario receives grant revenue from PIR in relation to in-year corporate expenses. The grant is recorded as unearned revenue until the corporate expenses have been incurred. Once incurred, the grant is recognized as revenue.

Costs incurred by Infrastructure Ontario on long term projects are fully recoverable. Project delivery revenue is recognized as the recoverable project costs are incurred.

Interest on investments and loans receivable are recognized using the effective interest rate method.

Loans receivable

Loans receivable are stated at their estimated net realizable value. Loans with concessionary terms are discounted using the Provincial cost of borrowing to determine the present value of the loan. The difference between the face value of the loan and its present value is, in substance, a grant. Only the 2003-04 program loans were issued with concessionary terms.

Loans with concessionary terms are recorded at face value discounted by the amount of the grant portion. The grant portion is recognized as a concession cost at the date of issuance of the loan and amortized on a straight line basis to revenue over the term of the loan. Concessions for construction advances are initially calculated based on the terms and conditions of long-term debentures with no amortization taken until the advances are converted to debentures, at which time the value of the concession is recalculated.

Hedge accounting

Infrastructure Ontario is exposed to interest rate fluctuations during the period between the issuance of Infrastructure Renewal Bonds and initiating debentures with municipalities. To manage this interest rate risk, Infrastructure Ontario utilizes financial instruments with similar characteristics to hedge against the debt. Infrastructure Ontario has formally documented its risk management objective and strategy, including relationships between the hedging instrument and the hedged item, for undertaking these various hedging transactions.

The hedging instruments are classified under long-term investments. Gains and losses resulting from hedging activities are deferred and amortized to operations on a straight line basis over the term of the underlying debt, which matures June 1, 2015 and June 1, 2037.

Taxes

As a Crown corporation, Infrastructure Ontario is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act of Canada.

Short-term investments

Short-term investments include money market securities and bonds with maturities of less than twelve months. As at March 31, 2008 the interest rates on these money market securities ranged from 1.92% to 3.80%. Short-term investments are recorded at cost, which approximates market.

Debt issue costs

Debt issue costs were incurred on the sale of Ontario Opportunity Bonds and Infrastructure Renewal Bonds. These costs are being amortized on a straight line basis over the life of the bond issues.

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of the assets beginning in the fiscal year of acquisition, with a half-year provision in the year of acquisition and half-year in the year of disposal. The estimated useful lives of the assets are as follows: computer equipment 3 years, furniture and fixtures 10 years and leasehold improvements 10 years.

Notes to Financial Statements

For the year ended March 31, 2008 (tabular amounts in thousands of dollars)

2. ACCOUNTS RECEIVABLE

	2008	2007
Investment interest receivable	$ 3,513	$ 8,746
Loan interest receivable	11,005	7,752
Due from Ontario Ministries	12,144	2,783
Other receivables	2,303	1,290
Total	**$ 28,965**	**$ 20,571**

3. LOANS RECEIVABLE

Infrastructure Ontario established a 'concessionary' loan program for municipalities in 2003-04. In 2004-05, Infrastructure Ontario also established an 'infrastructure renewal' loan program that operates on a cost pass-through basis.

As of March 31, 2008, construction advances of $402 million are receivable from municipalities, universities, and other public bodies. The interest rate on these construction loans, is one half of the average of Prime and 30 day Bankers' Acceptances on the concessionary program and 30 day Bankers' Acceptances plus ten basis points on the infrastructure renewal program. The amount of $1,055 million in debentures receivable is due from municipalities, universities and other public bodies, with terms ranging from 5 to 40 years.

	2008		2007	
Construction Advances				
Concessionary loan program	$ 161,719		$ 183,826	
Infrastructure renewal loan program	240,005		93,844	
	$ 401,724		$ 277,670	
Debentures		**Interest %**		**Interest %**
Concessionary loan program				
Maturity within 5 years	$ 1,761	1.87 - 2.31	$ 2,452	1.87 - 2.31
6 to 10 years	148,796	2.06 - 2.69	141,179	2.06 - 2.69
11 to 15 years	60,181	2.28 - 2.67	64,468	2.28 - 2.67
16 to 20 years	300,364	2.36 - 2.95	305,601	2.36 - 2.95
Greater than 20 years	71,735	2.52 - 3.05	38,155	2.52 - 3.05
	582,837		551,855	
Infrastructure renewal loan program				
Maturity within 5 years	2,382	3.94 - 5.07	663	3.94 - 4.17
6 to 10 years	55,501	4.04 - 5.19	38,981	4.04 -5.02
11 to 15 years	36,332	4.57 - 5.26	22,664	4.57 - 4.86
16 to 20 years	300,686	4.54 - 5.27	205,540	4.54 - 5.22
Greater than 20 years	77,012	4.78 - 5.34	47,142	4.78 - 5.29
	471,913		314,990	
Total debentures	1,054,750		866,845	
Less: portion due within one year	64,431		51,855	
Long-term portion of debentures	$ 990,319		$ 814,990	

Deferred Costs on Concessionary Loans

	2008	2007
Deferred costs on concessionary loans, beginning of year	$ 115,313	$ 101,551
Concession costs current year	8,657	18,916
Amortization concession costs	(6,103)	(5,154)
Deferred costs on concessionary loans, end of year	$ 117,867	$ 115,313

The organization has no significant credit risk with the current loan portfolio. In case of default for all loans to municipalities, universities and certain public bodies, the Province of Ontario is obligated to redirect funds owing to a Borrower, to pay Infrastructure Ontario. This is done through an intercept mechanism, which is a condition of all loans. Certain loans to public bodies are subject to restrictive covenants on assets and the borrower may be required to provide a general security agreement. Management actively reviews the credit performance of each Borrower and has determined no provision is required at the year end.

4. PROJECT RECEIVABLES

Infrastructure Ontario incurs project expenses and recognizes related project recoveries in the year the expense occurs. As at March 31, 2008, $55.3 million (2007 – $21.3 million) of these project expenses have yet to be recovered. Certain project recoveries, including interest costs to finance the receivables, will not be billed until the completion of the project.

5. LONG-TERM INVESTMENTS

Long-term investments consist of $208 million (2007 – $98 million) of bonds utilized as hedging instruments as described in Note 1, which are carried at cost.

6. DEBT ISSUE COSTS

	Cost	Accumulated Amortization	Net 2008	Net 2007
Ontario Opportunity Bonds	$ 1,689	$ 1,657	$ 32	$ 370
Infrastructure Renewal Bonds	7,208	1,830	5,378	4,746
Total	$ 8,897	$ 3,487	$ 5,410	$ 5,116

7. DEFERRED LOSSES/(GAINS) ON HEDGING

	Cost	Accumulated Amortization	Net 2008	Net 2007
Net loss (gains) on hedging activities	$ 856	$ 48	$ 808	$ (4,665)

Notes to Financial Statements

For the year ended March 31, 2008 (tabular amounts in thousands of dollars)

8. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2008	Net 2007
Computer equipment	$ 1,688	$ 904	$ 784	$ 735
Furniture and fixtures	903	160	743	821
Leasehold improvements	2,676	458	2,218	2,433
Total	$ 5,267	$ 1,522	$ 3,745	$ 3,989

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
Trade payables and accruals	$ 12,049	$ 10,930
Due to the Ontario Financing Authority	253	367
Total	$ 12,302	$ 11,297

10. INTEREST PAYABLE

	2008	2007
Province of Ontario Loan	$ -	$ 10,307
Infrastructure Renewal Bonds	14,544	9,884
Ontario Opportunity Bonds	5,492	5,496
Ontario Clean Water Agency Loan	371	424
OFA Revolving Credit Facility	2,125	263
Total	$ 22,532	$ 26,374

11. DEFERRED GRANT REVENUE

During the current year, the Ministry of PIR agreed to transfer $5.6 million to Infrastructure Ontario for recoverable corporate costs (2007 – $7.2 million). As of March 31, 2008, 5.7 million (2007 – $7.1 million) has been recognized as revenue. The amount of $76 thousand (2007 – $148 thousand) is recorded as deferred grant revenue.

12. COMMERCIAL PAPER

In November 2004, Infrastructure Ontario commenced issuing notes under a commercial paper program. The funds are used for short-term funding requirements including cash management, financing assets and general operating requirements. The program is authorized to issue a maximum of $500 million for terms of up to one year. During the year, interest on the notes ranged from 3.4% to 4.9% and as of March 31, 2008, maturities ranged from April 2008 to June 2008.

13. LONG TERM DEBT

Ontario Opportunity Bonds
Infrastructure Ontario has outstanding $323 million in tax-exempt, redeemable Ontario Opportunity Bonds. These bonds bear interest at 4.25% per annum and mature on May 6, 2008. Interest is paid semi-annually on May 6th and November 6th until maturity. During the period $252 thousand (2007 - $70 thousand) of Ontario Opportunity Bonds were redeemed.

Infrastructure Renewal Bonds
On February 24, 2005, Infrastructure Ontario issued $650 million of Infrastructure Renewal Bonds. The bonds bear interest at 4.60% per annum and mature on June 1, 2015. Interest is paid semi-annually on June 1st and December 1st until maturity.

On April 19, 2007, Infrastructure Ontario issued $300 million of Infrastructure Renewal Bonds. The bonds bear interest at 4.70% per annum and mature on June 1, 2037. Interest is paid semi-annually on June 1st and December 1st until maturity.

Ontario Clean Water Agency Loan and Province of Ontario Loan
The Ontario Clean Water Agency (OCWA), an agency of the Province of Ontario, has provided a twenty-year subordinated loan of $120 million to Infrastructure Ontario in exchange for a promissory note which matures on March 1, 2023. The interest on the note is reset monthly, with the interest rate set at four basis points below the average one month Canadian Dollar Offered Rate, payable quarterly.

The Province of Ontario has provided Infrastructure Ontario with a fifty-year subordinated loan of $1 billion in exchange for a promissory note which matures on March 31, 2053. The interest on the note is reset quarterly at the Province's three-month treasury bill rate and payable quarterly.

The $1.12 billion total of these two loans provides: (i) credit protection to investors in unsubordinated debt such as Infrastructure Renewal Bonds, Ontario Opportunity Bonds and Commercial Paper (ii) a liquidity backstop for Infrastructure Ontario's financing needs; and (iii) a stable long-term capital base that enables Infrastructure Ontario to achieve a high credit rating.

OFA Revolving Credit Facility
The Ontario Financing Authority (OFA), an agency of the Province of Ontario has provided Infrastructure Ontario with a subordinated revolving credit facility of up to $200 million to provide working capital for AFP projects. Advances are to be repaid upon completion of individual AFP projects. The credit facility must be repaid in full by June 23, 2016. As at March 31, 2008, Infrastructure Ontario has utilized $60 million (2007 - $20 million) on this line of credit, with interest at the Province's cost of funds for borrowings with a similar term. Interest charges range from 3.9% to 5.0%, with maturities from October 2009 to March 2011.

Notes to Financial Statements

For the year ended March 31, 2008 (tabular amounts in thousands of dollars)

14. RELATED PARTY TRANSACTIONS

In addition to the loans from OFA, OCWA and the Province of Ontario, Infrastructure Ontario receives a grant from the Ministry of PIR to cover corporate expenses. In 2008, this grant was $5.6 million (2007 – $7.2 million).

Project costs and recoveries are also undertaken with various Ontario Ministries, such as the Ministry of Health and Long Term Care, the Ministry of the Attorney General, the Ministry of Children and Youth Services and the Ministry of Government Services.

Infrastructure Ontario has also incurred costs for services of the OFA of $1.2 million (2007 – $1 million).

15. FUTURE EMPLOYEE BENEFITS

The organization provides pension benefits to certain of its full-time employees through participation in the Public Service Pension Plan, which is a multi employer defined benefit plan established by the Province of Ontario. The cost of the pension plan of $198 thousand (2007 – $119 thousand) is based on formulas set by the Ontario Pension Board. In addition, for these employees the cost of post-retirement, non-pension employee benefits is paid by Management Board Secretariat and is not included in the financial statements.

The organization beginning in September 2007 provides a defined contribution pension plan for all other full-time employees. The organization contributes 5% of the employee's base salary and up to an additional 2.5% of the employee's base salary as a matching contribution to amounts paid to the plan by the employee. The cost of this plan in the year was $329 thousand.

16. FINANCIAL INSTRUMENTS

The carrying amounts for cash, accounts receivable, short-term investments, accounts payable and accrued liabilities and interest payable approximate their fair values because of the short-term maturity of these instruments.

The organization earns interest on loan receivables, short and long-term investments and pays interest on short and long-term debt. To the extent that these financial instruments mature or reprise at different points in time, the organization is exposed to interest rate risk. Management actively manages the maturities of these financial assets and liabilities to mitigate this risk.

17. CONTINGENCIES

Infrastructure Ontario, in the ordinary course and conduct of its business, may be exposed to various legal proceedings. At March 31, 2008, Infrastructure Ontario was not aware of any such proceedings in process.

18. COMMITMENTS

On August 18, 2003, the Minister of Finance announced that 88 municipalities would be eligible for up to $1 billion in low-interest loans to strengthen local communities.

Approved	Issued
$922 million	$833 million

On December 20, 2004, the Minister of Finance announced that 109 municipalities would be eligible for up to $1.2 billion as part of Infrastructure Ontario's 2004-05 infrastructure renewal loan program.

Approved	Issued
$553 million	$435 million

On February 10, 2006, the Minister of Public Infrastructure Renewal announced that the infrastructure renewal loan program would now be open for applications from all municipalities on a continuous basis. The loan program was also expanded to help Ontario universities and other public bodies.

Program Year	Approved	Issued
2005 - 2006	$ 380 million	$ 178 million
2006 - 2007	48 million	25 million
2007 - 2008	413 million	144 million
	$ 841 million	$ 347 million

19. ECONOMIC DEPENDENCE

Infrastructure Ontario is dependent on the Province of Ontario for the provision of funds to cover operating costs, finance project costs until recovery and to support the concessionary loans provided to municipalities. Based on the Province's support in providing a multi-year commitment for public infrastructure projects and providing a fifty-year loan, Infrastructure Ontario is considered a going concern.

20. COMPARATIVE FIGURES

The comparative figures in the income statement have been restated to reflect the current presentation.

21. SUBSEQUENT EVENT

On April 23, 2008 the organization entered into a series of interest rate swap agreements to manage its exposure to interest rate risk related to differences between the maturity dates of its debenture loans receivable and the long-term debt of the organization. The swap agreements convert fixed rate interest on debenture loan receivables and long-term debt into floating rate interest.

The organization swapped its entire portfolio of Debenture loan receivables with swap termination dates between Feb 15, 2037 and May 15, 2038, and its entire 4.60% Infrastructure Renewal Bond debt and $86 million of 4.70% Infrastructure Renewal bond debt with swap termination dates of June 1, 2015 and June 1, 2027 respectively.

Under the organization's risk management policy, derivative financial instruments are used only for asset/liability interest rate hedging purposes.

Ontario
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